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Corporation
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Washington, DC 20006
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JUL - 8 1992

Federal Communications Commission
Office of the Secretary

July 8, 1992

Ms. Donna Searcy
Secretary
Federal Communications Commission
Room 222
1919 M Street NW
Washington DC 20554

ORIGINAL

92-141

ORIGINAL
FILE

Re: In the Matter of 1992 Annual Access Filings, CC Docket
No. 92-141

Dear Ms. Searcy,

Enclosed herewith for filing are the original and four (4) copies of MCI Telecommunications Corporation's Opposition To the Ameritech Operating Companies Application For Partial Review in the above referenced matter.

Please acknowledge receipt by affixing an appropriate notation on the copy of the MCI Petition furnished for such purpose and remit same to the bearer.

Yours truly,

Andrew L. Regitsky

Andrew L. Regitsky
Senior Manager
Regulatory Analysis

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington DC 20554

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Federal Communications Commission
Office of the Secretary

In the Matter of:

1992 Annual Access Filings

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CC Docket No. 92-141

MCI OPPOSITION TO APPLICATION FOR PARTIAL REVIEW

Pursuant to Section 1.115 of the Commission's Rules,¹ MCI Telecommunications Corporation ("MCI") hereby files its Opposition to the Application For Partial Review, filed by the Ameritech Operating Companies ("Ameritech") on July 31, 1989, in the above referenced proceeding.

In its Application, Ameritech requests the Commission to review that aspect of the Bureau's June 22, 1992 Order regarding the 1992 Annual Access Filings which requires Ameritech to revise rates to reflect price cap sharing allocations based on relative basket revenues rather than relative basket earnings.² Ameritech does concede that the Bureau's ruling is theoretically correct and is in line with the overall philosophy of price caps.³ Ameritech argues, however, that the Commission's decision to include the Interexchange category in the computation of overall interstate earnings subject to sharing has introduced a distortion into the price cap sharing process which "would yield an unfair result if [the Ameritech companies] were required to allocate sharing based on

¹ 47 C. F. R. Section 1.115(d).

² In the Matter of 1992 Annual Access Tariff Filings, CC Docket No. 92-141, Memorandum Opinion and Order, DA 92-841, released June 22, 1992, at paras. 4-8 ("Bureau Order").

³ Ameritech Application at p. 1.

basket revenues."⁴ Specifically, Ameritech contends, if it is forced to allocate sharing dollars based on relative basket earnings, it would be substantially unfair to its Interexchange customers because they would receive significantly fewer sharing dollars than if sharing was based on basket-by-basket earnings.⁵ Therefore, Ameritech argues, since the Commission did not require carriers to allocate sharing amounts based on basket revenues,⁶ it would be better to use a sharing mechanism such as basket earnings, which would minimize the distortion caused by the inclusion of Interexchange services in the sharing mechanism.⁷

Ameritech further states that,

While the [Ameritech] Companies agree with the Commission that a basket-by-basket sharing mechanism is inappropriate, once the overall price cap sharing amount is determined based on an examination of overall interstate earnings, allocation of that amount back to the baskets on the basis of basket-specific earnings is, at least in this case, a reasonable and cost-causative method.⁸

MCI believes that Ameritech's request for partial review of the Bureau's order should be denied. In essence, the entirety of Ameritech's position is an attempt to reargue two issues that have already been decided in the price cap docket. First, the Commission's Price Cap Order has already concluded that total interstate earnings is the most appropriate methodology to be used for both the price cap sharing and low end

⁴ Id.

⁵ Id., at p. 2.

⁶ In the Matter of Policy and Rules Concerning Rates for Dominant Carriers, CC Docket No. 87-313, Order on Reconsideration, FCC 91-115, released April 17, 1991, at para. 113 ("Price Cap Reconsideration Order").

⁷ Ameritech Application at p. 3.

⁸ Id., at p. 6 (footnote omitted).

adjustment mechanisms, and has specifically rejected the notion that basket earnings should be used to allocate sharing amounts.

We also conclude that sharing should be based on total interstate earnings. As Ameritech points out, use of a single productivity offset for all baskets is likely to result in varying basket-by-basket returns, because productivity gains by baskets will differ. To be consistent with the unitary productivity mechanism, a unitary backstop mechanism is thus appropriate. Calculation of basket-by-basket or service-by-service rates of return and sharing obligations could potentially require sharing even when the LEC has not achieved overall productivity gains that rise above the unitary offset factor, but only higher gains for a single basket or service. The converse problem would arise if the formula adjustment were to be made for individual baskets or services. A LEC could be granted higher rates for that basket even if interstate earnings in other baskets and for the company as a whole were already adequate.⁹

Second, the Price Cap Reconsideration Order specifically directed the LECs to include Interexchange service revenues in the calculation of overall sharing amounts.¹⁰

We affirm that sharing will consider total interstate earning including interexchange...Further, we believe that exclusion of interexchange services from the sharing mechanism would substantially increase the possibility, if not the likelihood, of cross-subsidization. The sharing mechanism is designed to consider a LECs' total earnings and total productivity and to exclude interexchange would compromise the usefulness and integrity of that plan and reduce the benefits of the plan to consumers.¹¹

Since Ameritech offers no justification for its position, other than an attempt to reargue the price cap rules, its Application is clearly untimely and improper, and therefore, must be denied.

⁹ In the Matter of Policy and Rules Concerning Rates for Dominant Carriers, Second Report And order, released October 4, 1990, at para. 151 (footnotes omitted) ("Price Cap Order") .

¹⁰ While MCI does not believe that the Interexchange basket should be used to distribute sharing dollars, Ameritech and all of the price cap LECs must abide by the current price cap rules. See, In the Matter of 1992 Annual Access Charge filings, MCI Petition To Reject Or, In The Alternative, Suspend And Investigate, filed April 29, 1992, at pp. 6-7.

¹¹ Price Cap Reconsideration Order at. para. 97.

Moreover, Ameritech has failed to demonstrate that sharing on the basis of basket revenues would unfairly damage its Interexchange customers or in any way cause it to incur earnings problems. While it is true that this mechanism would allocate fewer sharing dollars to the Interexchange basket, there is nothing in the price cap rules forcing Ameritech to raise rates to these customers. Further, since the price cap rules establish a reasonable earnings zone, Ameritech has not demonstrated that any decreased earnings that might occur as a result of not increasing its Interexchange rates would cause its earnings to fall below 10.25 percent, and be eligible for a low end adjustment.¹² As the Bureau has stated,

[N]either the price cap rules nor the 1992 Annual Access Order preclude Ameritech from adjusting rates in baskets as it deems appropriate. The rules provide pricing flexibility within bands and procedures to file prices out of band as well as procedures to adjust the indices.¹³

¹² See, In the Matter of The Ameritech Operating Companies 1992 Annual Access Tariff Filing Motion for Stay, Transmittal Nos. 617, 624 and 628, Order, released June 26, 1992, at para. 6.

¹³ Id., at para. 7.

WHEREFORE, for the reasons stated herein, Ameritech's Application for Partial review should be denied.

Respectfully submitted,

MCI TELECOMMUNICATIONS CORPORATION

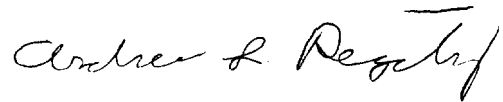
A handwritten signature in cursive script, reading "Andrew L. Regitsky".

Andrew L Regitsky
Senior Manager
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1801 Pennsylvania Avenue, N.W.
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Dated: July 8, 1992

STATEMENT OF VERIFICATION

I have read the foregoing and, to the best of my knowledge, information, and belief, there is good ground to support it, and it is not interposed for delay. I verify under penalty of perjury that the foregoing is true and correct. Executed on July 8, 1992.

A handwritten signature in cursive script, reading "Andrew L. Regitsky".

Andrew L. Regitsky
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CERTIFICATE OF SERVICE

I, Laura Cooley, do hereby certify that copies of the foregoing MCI petition were sent via first class mail, postage paid, to the following on this 8th day of July, 1992:

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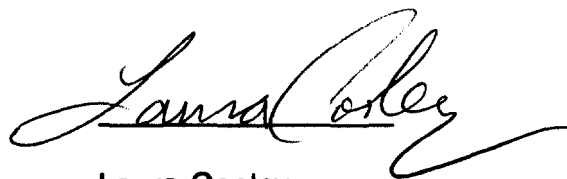
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